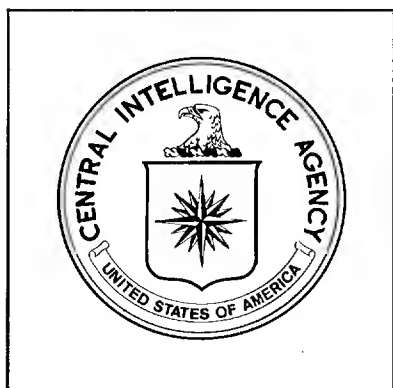


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MIDDLE EAST – AFRICA – SOUTH ASIA

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China-Bangladesh

Direct Trade May Be in the Offing

The Chinese may now be prepared to enter into direct trade with Bangladesh. This may be a prelude to establishment of diplomatic relations.

25X1 [redacted] Chinese officials in Hong Kong early in March offered to establish trade links. The officials expressed an interest in buying jute and invited Dacca to send a five-person delegation to the coming Canton Trade Fair.

Until now China has been noncommittal toward the Bengalees on the question of trade, and this latest move undoubtedly is politically motivated. Not too long ago China claimed that it was self-sufficient in jute, and it apparently has little need for the fiber. Furthermore, when inviting the Bengalee delegation to the Canton fair, the Chinese officials strongly hinted that Peking wanted to discuss other matters besides trade.

Peking and Dacca have been talking about diplomatic ties since the UN General Assembly session last September, but the Chinese have maintained that Bangladesh and Pakistan must first exchange ambassadors before the path will be clear for Sino-Bengalee ties. Peking adopted this position at Islamabad's urging.

Although the evidence is still tenuous, there may have been a recent shift in Pakistan's stand on this issue that may have prompted China to revise its own game plan. [redacted]

25X1 [redacted] Prime Minister Bhutto now no longer opposes Chinese recognition of Bangladesh and has left the timing entirely up to Peking.

Nevertheless, Peking is still taking a cautious approach. The Chinese have specified that the Bengalee delegation to the Canton fair--although it

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will be composed of officials from various government ministries--should be nonofficial. The Chinese may be concerned about Bhutto again shifting ground on Sino-Bengalee relations but, more likely, they are not yet convinced of President Mujibur Rahman's staying power. If a new government should come to power in Dacca, China will want to be able to disclaim any support for the present group of leaders. In fact, the Chinese may delay establishing diplomatic relations until they are convinced that the situation in Bangladesh has become stable.

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